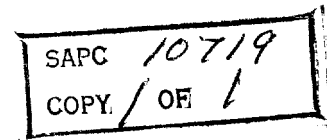


**SECRET**

29 October 1956



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Dear George:

Two signed copies of Letter Contracts A-102 and A-103 are enclosed.

Our proposal for the personnel services, covered by A-103, was prepared on a CPFF basis, since we did not believe that we had sufficient experience to propose a fixed man-month rate for such services at this time. Your proposed terms for the definitive contract suggests a fixed man-month rate for these services with a provision for adjustment of overhead rates based on a fixed percentage of the actual in-plant rate when this has been determined by audit. There is no provision for redetermination of the labor rate to actual. We would prefer such a provision. If a fixed man-month labor rate were to be established, it would probably be somewhat higher than the proposed CPFF rate to provide for possible increase in labor rates.

The provisions of the time and material repair contract, A-102, provide that no overhead or fee will be applied to materials procured in support of the repair work since you anticipate that practically all of the needed materials will be Government-furnished. In the event that substantial material procurement would be required under the repair contract, we would want to adjust our overhead rate to provide for the additional costs of material handling as these would not be adequately covered by our proposal rate if no General and Administrative expenses were borne by the material costs. Similarly, if substantial procurement of material were involved, we would propose a higher fee rate applied to the labor portion of the costs to cover the added work involved in procuring material at cost. It does seem feasible, however, to provide almost all of the material on a Government-furnished basis during the next six to twelve months.

Sincerely,

*Burt*  
 Burt

## Enclosures:

Contract A-102 (in duplicate)  
 Contract A-103 (in duplicate)

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